

Congress of the United States

Washington, DC 20515

April 2, 2004

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

Yesterday we wrote to you to request that you immediately grant Governor Schwarzenegger's request for a waiver of the federal Clean Air Act's two percent oxygenate requirement for California. We argued that this step would reduce gasoline prices at the pump while improving the environment.

This issue was also raised when Energy Secretary Spencer Abraham testified yesterday before the House Energy and Commerce Committee. During his testimony, Rep. Lois Capps asked Secretary Abraham a number of questions about gasoline prices. Rep. Capps urged Secretary Abraham to raise Governor Schwarzenegger's request with the White House in order to help reduce gasoline prices in California.

Secretary Abraham testified that he would take the issue directly to the White House and to the U.S. Environmental Protection Agency for consideration. He also stated, "It's my understanding the EPA is seriously looking at this request."

The mere report that the Administration was considering Gov. Schwarzenegger's request caused oil and gasoline prices to tumble. The *Wall Street Journal* reported: "Statements by Energy Secretary Spencer Abraham that the government is 'seriously considering' waivers for clean-air restrictions on gasoline blending in some states sparked a late selloff in crude-oil and gasoline futures at the New York Mercantile Exchange. Crude oil fell 4.2% and gasoline fell 5.2% in frenzied selling after Reuters reported Mr. Abraham's comments."¹

Similarly, the *Boston Globe* reported: "Crude oil in New York tumbled to a seven-week low after Energy Secretary Spencer Abraham said the United States is 'seriously' considering a request by California for an exemption to a requirement for cleaner-burning gasoline."²

Several experts commented on why the markets reacted so dramatically to Secretary Abraham's comments. Jim Steel, director of commodity research at Refco in New York, stated:

¹ *Energy Secretary's Statements Spark Selloff in Crude Oil, Gas*, Wall Street Journal (Apr. 2, 2004).

² *Crude Oil Falls to 7-Week Low: US Mulls Gas Rule Waivers*, Boston Globe (Apr. 2, 2004) (online at http://www.boston.com/business/articles/2004/04/02/crude_oil_falls_to_7_week_low/).

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"The waiver, if granted, could be the wedge that gives refiners the flexibility to meet gasoline demand this summer."³ Carl Larry, vice president of global energy sales for ABN Amro in New York stated: "We'd probably see more imports, we'd see cheaper blending costs, we'd see cheaper transportation costs. . . . It would eventually cause a bigger supply of gasoline."⁴

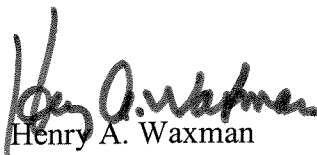
The market response is strong evidence that you can act today to reduce gasoline prices in California and throughout the nation by acting on California's waiver. Yet there are reports out today that your Administration is backing off this promising action. According to the *Wall Street Journal*:

Later yesterday, however, both the Environmental Protection Agency and the Energy Department said the secretary's comments had been misconstrued. No action is imminent, they said, and requests from California and New York for waivers were only undergoing normal review.⁵

This would be an enormous mistake. It would undo the price relief achieved yesterday and force gasoline prices higher.

The markets demonstrated yesterday that the simple act of granting a waiver to California and other states could immediately and dramatically reduce gasoline prices. We urge you to take this action without any further delay.

Sincerely,



Henry A. Waxman
Member

Committee on Energy and Commerce



Anna G. Eshoo
Member

Committee on Energy and Commerce

³ *Saudis Reassure Markets: 'We will not allow any shortages,'* The Houston Chronicle (Apr. 2, 2004) (online at <http://www.chron.com/cs/CDA/ssistory.mpl/business/2481268>).

⁴ *Gasoline Futures Plunge on News EPA May Require Fewer Additives: California Sought Waiver in Light of Soaring Prices*, Baltimore Sun (Apr. 2, 2004) (online at <http://www.baltimoresun.com/business/bal-bz.gas02apr02,0,3847005.story?coll=bal-business-headlines>).

⁵ *Energy Secretary's Statements Spark Selloff*, *supra* note 1.




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